

GLOSSARY OF TERMS

Accounting Period

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the balance sheet date.

Actual

The actual, rather than budgeted, expenditure or income attributable to the accounting period. Sometimes referred to as “Actuals”.

Actuarial Gains and Losses

Changes in actuarial deficits or surpluses due to actual experience or events that have not been exactly the same as the assumptions adopted at the previous valuation, or the actuarial assumptions have changed.

Actuary

An expert on rates of death and insurance statistics who assesses whether we have enough money in our pension fund.

Accruals

Sums included in the final accounts to recognise revenue and capital income and expenditure attributable to the accounting period, but for which payment has not been received or made by 31 March.

Accumulated Compensated Absences Adjustment Account

This account represents the value of any unused holiday, time off in lieu or flexi hours which have not been taken by officers at 31 March.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed.

Accumulated Compensated Absences Adjustment Account

This account represents the value of any unused holiday, time off in lieu or flexi hours which have not been taken by officers as at the 31 March.

Amortisation

The writing down of an intangible fixed asset over its useful life.

Appointed Auditors

The Audit Commission appoints external auditors to every Local Authority, from one of the major firms of registered auditors.

Assets

An item having value to the Council in monetary terms, categorised as:

- **Current assets** will be consumed within the next financial year (e.g.: cash and stock).

- **Fixed assets (non current)** provide benefits over their useful life for more than one year and can be tangible (e.g. buildings) or intangible (e.g.: computer software licences).
- **Community assets** are assets that the local authority intends to hold in perpetuity, that have no determinable useful life and may have restrictions on their disposal (e.g. town squares and picnic sites).
- **Infrastructure assets** that form part of the economic or social framework of the area and whose function is not transferable (e.g.: highways, bridges and footpaths).
- **Operational assets** are fixed assets held and occupied by a local authority and used in the direct delivery of services.
- **Non Operational assets** are fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services (e.g.: buildings under construction and surplus assets).
- **Assets under Construction** details capital expenditure to date on work in progress.
- **Available for Sale** are assets actively being marketed at the Balance Sheet date.

Audit Committee

A Committee of the Council who consider financial matters and reports from Internal Audit, and approve and monitor our Financial Regulations and risk management. The Committee delegated to approve the Accounts following external Audit review.

Audit of Accounts

An independent examination of the Council's financial affairs.

Authorised Limit

This represents the legislative limit on the Council's external debt under the Local Government Act 2003.

Balances

The total revenue reserves required to provide a working balance during the financial year, for example in periods when expenditure exceeds income.

Balance Sheet

A statement of all of our assets, liabilities and balances at the end of the financial year, 31 March.

Best Value Accounting Code of Practice (BVACOP)

Details standard definitions of service and total cost which enables spending comparisons to be made with other local authorities.

Budget

The forecast of net revenue and capital expenditure over the accounting period.

Cabinet

The Cabinet comprises seven Members of the Council (including the Leader), who are responsible for making most of the essential decisions about running the Council. Each member of the Cabinet is responsible for specific service areas.

Capital Adjustment Account

This records the timing difference between the costs of fixed assets used and the capital financing set aside to pay for them.

Capital Expenditure

Expenditure on assets which have a long term value. Includes the purchase of land, purchase or cost of construction of buildings and the acquisition of plant, equipment and vehicles.

Capital Charges

This is a general term used for the notional charges made to service revenue accounts for the use of fixed assets. The term covers the following:

Depreciation, Impairment charges and Amortisation of Deferred Charges (included in gross expenditure) offset by the Amortisation of government grants deferred (included in income).

Capital Financing Costs

These are costs, such as interest, which we charge because we have spent money on non current assets.

Capital Receipts

Proceeds received from the sale of property and other fixed assets.

Carrying Amount

The Balance Sheet value recorded of either an asset or a liability.

Cash-flow Statement

This is a statement that shows the changes in our cash and bank balances during the year.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Collection Fund

A separate fund that records the income and expenditure relating to council tax and non domestic rates.

Community Assets

These are fixed assets that the Council intends to hold in perpetuity which have no determinable finite useful life and in addition, may have restrictions on their disposal. An example is a park.

Comprehensive Income and Expenditure Statement (CIES)

The account that reports the income and spending on our services.

Comprehensive Spending Review (CSR)

CSR is the public expenditure planning process introduced by the government in 1997.

Contingency

This is money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income, and to provide for inflation where this is not included in budgets.

Contingent Liabilities or Assets

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not yet been made in the Council's accounts.

Corporate Democratic Core

Those activities which the local authority is engaged in specifically because it is an elected multi-purpose authority. This includes the costs of corporate policy making, representing local interests, representatives and duties arising from public accountability.

Council Tax

This is the main source of local taxation to local Authorities. Council Tax is levied on households within its area by the Billing Authority and the proceeds are paid into its Collection Fund for distribution to precepting Authorities and for use by its own General fund.

Council Tax Requirement

This is the estimated revenue expenditure on General fund services that needed to be financed from the Council Tax after deducting income from fees and charges, certain specific grants and any funding from reserves.

Council Tax Support Scheme (CTSS)

The means tested scheme that replaced Council tax Benefit and reduces the Council Tax bill of those who qualify.

Creditor

Amounts owed by the Council for work done, goods received or services rendered but for which payment has not been made at 31 March.

Current Assets

These are the short-term assets we have at date of the balance sheet which we can use in the following year.

Current Liabilities

These are the short-term liabilities we have at date of the balance sheet which we will pay in the following year.

Current Service Cost

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

Curtailment

Curtailments will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

Debtor

Sums of money due to the authority but unpaid at the balance sheet date.

Deferred Capital Receipts

These represent capital income still to be received after disposals have taken place and wholly consist of principal outstanding from the sale of council houses

Deferred Charges (now known as REFCUS see below)

Expenditure which may properly be capitalised but which does not result in tangible fixed assets owned by the Council. These charges are to be amortised to revenue over an appropriate period.

Deferred Contributions

Amounts paid to us for future activities.

Deferred Liabilities

Sums of money due by the Council originally repayable within a period in excess of twelve months but where payment is not due until future years.

Defined Benefit Scheme

This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Department for Communities and Local Government (DCLG)

A department of Central Government with an overriding responsibility for determining the allocation of general resources to Local Authorities.

Depreciation

The allocation of the cost of the useful economic life of the Council's fixed assets for the accounting period through general wear and tear, consumption or obsolescence.

Derecognition

Financial assets and liabilities needed to be removed from the balance sheet once performance under a contract is complete or the contract is terminated.

Earmarked Reserves

Those elements of total Council reserves which are retained for specific purposes.

Employee Costs

Those costs incurred employing staff including salaries, employer's national insurance, pension contributions, and training.

Exceptional Items

Material items deriving from events or transactions that will fall within the ordinary activities of the Authority, but which need to be separately disclosed by virtue of their size and/or incidence to give a fair presentation of the accounts.

Expenditure

This refers to amounts paid by the Authority for goods and services rendered of either capital or revenue nature. This does not necessarily involve a cash payment

since expenditure is deemed to have been incurred once the goods and services have been received even if they have not been paid for.

External Audit

The independent examination of the activities and accounts of local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources.

Fair value

Fair value is the price at which an asset could be exchanged in an arm's length transaction, less any grants receivable towards the purchase or use of the asset.

Fees and Charges

The Council's charges for certain services e.g. car parking.

Finance Lease

A lease whereby all the risks and rewards of ownership of a fixed asset are with the lessee. In substance the asset belongs to the lessee.

Financial Instruments

A financial instrument is any contract that gives to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives.

Financial Regulations

These are the written code of procedures, approved by the Council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

General Fund

The main revenue fund of the Council. Income from the council tax precept and Government grants are paid into the fund, from which the cost of providing services are met.

Government Grants

Payments by Central Government towards local authority expenditure. They are specific for a particular service; and are receivable in respect of both revenue and capital expenditure.

Government Grants Deferred

Grants or contributions received which have supported wholly or in part the acquisition of fixed assets, net of the appropriate share of depreciation on those assets for which a depreciation charge is made.

Heritage Assets

An asset with a historical, artistic, scientific, technological, geophysical or environmental quality that is held and maintained principally for its contribution to knowledge and culture.

Housing Benefit

This is an allowance to persons on low income (or none) to meet, in whole or in part, their rent. Benefit is allowed or paid by local Authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Authorities. Benefits paid to the Authority's own tenants are known as rent rebate and that paid to private tenants as rent allowance.

Housing Revenue Account (HRA)

Statutory ring-fenced account required to represent the landlord/tenant obligations for the Council in relation to managing and maintaining its housing stock in return for rental income from tenants.

Impairment

A reduction in the value of a fixed asset to below its carrying amount on the balance sheet due to damage, obsolescence or a general decrease in market value.

Income

These are amounts due to the Council for goods supplied or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment. Income is deemed to have been earned once the goods or services have been supplied even if the payment has not been received (in which case the recipient is a debtor to the Council).

Income & Expenditure Account

The net cost for the year for services provided by the Council for which it is responsible and showing how the cost has been financed from precepts, grants and other income.

Infrastructure

Non current assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

Intangible Assets

These are non current assets that do not have physical substance but are identifiable and controlled by the Council. Computer software is the most common example.

Interest

An amount received or paid for the use of a sum of money when it is invested or borrowed.

International Financial reporting Standard (IFRS)

Defined accounting standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of other entities.

Inventories (previously Stock)

Items of raw materials, work in progress or finished goods held at the financial year end, valued at the lower of cost or net realisable value.

Joint Venture

This is an entity in which the reporting Authority has an interest on an longer term basis and is jointly controlled by the reporting Authority and one or more entities under a contractual or other binding arrangement.

Local Authority (Scotland) Accounts Advisory Committee (LASAAC)

A joint committee with CIPFA which produces the Code of Practice on Local Authority Accounting in the United Kingdom (referred to as the 'Code').

Leasing Costs

This is where a rental is paid for the use of an asset for a specified period of time. Two forms of lease exist: finance leases and operating leases. Operating leases are those where the risks of ownership rest with the owner of the asset whereas in the case of finance leases the asset appears in our Balance Sheet.

LGPS (Local Government Pension Scheme)

The fund that manages and pays our staff pensions. Our LGPS scheme is now managed by Peninsula Pensions.

Liabilities

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

Liquid Resources

Cash and current asset investments that can be easily converted to known amounts of cash without penalty, or can be traded on the active market.

Local Development Plan

A plan which includes documents that establishes the local policy towards the use of land and the vision for involving communities in the plan making process.

Long Term Borrowing

Amounts borrowed in excess of 364 days.

Long-Term Contract

A contract entered into for the design, manufacture or construction of a single substantial asset, or the provision of a service (or a combination of assets and services which together constitute a single project), where the project falls into more than one accounting period.

Long Term Debtors

Sums of money due to the Authority originally repayable within a period in excess of twelve months but where payment is not due until future years.

Management Team

A meeting of the Chief Executive and Heads of service.

Medium Term Financial Strategy (MTFS)

This is a financial planning document that sets out the future years financial forecasts for the Council. It considers local and national policy influences and projects their impact on the general fund revenue budget, capital programme and HRA. It usually covers a four year time frame.

Member

An elected councillor of the Council.

Minimum Revenue Provision (MRP)

MRP is the minimum amount which must be charged to the Authority's revenue account each year and set aside as provision for credit liabilities as required by the Prudential Code.

National Non Domestic rate (NNDR)

NNDR is the levy on business property, based upon a national rate in the pound applied to the 'rateable value' of the property. The government determines a national rate poundage each year which is applicable to all Local Authorities. Mid Devon is a member of the Devon NNDR Pool of Local Authorities whose share of the NNDR is allocated between the members.

Net Book Value

The value of fixed assets included on the balance sheet, being the historical cost or a current revaluation less the cumulative amounts of depreciation.

Net Debt

Net debt is the Council's borrowings less cash and liquid resources.

Net Realisable Value (NRV)

NRV is the open market value of an asset in its existing use less any costs to be incurred in selling the asset.

Non Current Assets

Assets that yield benefits to the Council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

Non-distributed Costs

In the main this represents support service area charges. E.g.: Corporate Management, Finance, Legal, ICT, HR services, etc. In addition to this a number of non-service specific corporate fees are included as well as any extra payments made to maintain the value of the pension fund.

Operating Lease

A lease where the risks and rewards, and therefore the ownership of the asset, remains with the lessor.

Operational Boundary

This reflects the maximum anticipated level of external debt consistent with budgets and forecast cash flows.

Pension Strain

Additional employers pension contributions as a result of an employee's early retirement.

Precept

The amount levied by one authority which is collected by another. e.g.: the County Council is the precepting authority and the District Council is the collecting authority.

Prior Period Adjustments

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

Provision

This is an amount which is put aside to cover future liabilities or losses which are considered to be certain or very likely to occur, but the amounts and timing are uncertain.

Public Works Loan Board (PWLb)

An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities.

Rateable Value

A value placed upon all properties subject to rating. The value is based on a national rent that property could be expected to yield after deducting the cost of repairs.

Related Parties

Related parties comprise Central Government, other Local Authorities, precepting and levying bodies subsidiary and associated companies, elected Members, all senior officers and the Pension Fund. In respect of individuals identified as related parties the following are also presumed to be related parties:

- Members of the close family, or the same household; and
- Partnerships, companies, trusts or other entities in which the individual, or member of their close family, or the same household, has a controlling interest.

Revenue Contribution to Capital (RCCO)

Capital spending that is directly paid for from revenue.

Revenue Expenditure

Spending on the day-to-day running of services – mainly wages, operating expenses of buildings and equipment, and debt charges. These costs are met from the Council tax, government grants and our own fees and charges.

Revenue Support Grant

The major grant received each year from Central Government, which is not ring-fenced, to help finance our activities. Commonly referred to as the Council's "Formula Grant"

Reporting Standards

The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a Local Authority. It is based upon International Financial reporting standards (IFRS), International Standards (IAS) and International Financial

Reporting Interpretations Committee (IFRIC), UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

Reserves

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the capital adjustment account cannot be used to meet current expenditure.

Restatement

We normally show the amounts that were in last year's accounts as the same figure, but where there is a change in the accountancy rules, we have to change last year's figures to meet the current rules and ensure comparability.

Revaluation Reserve

This records net gains from revaluations made after 1 April 2007 not yet realised through sales.

Revenue Contributions

This refers to the financing of capital expenditure directly from revenue rather than from loans or other sources.

Revenue Expenditure

The day to day expenditure of the authority on such items as employees, transport and equipment.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of an asset that belongs to the Authority.

Revenue Support Grant (RSG)

The major grant paid by central government to local authorities in aid of service provision.

Service Reporting Code of Practice (SeRCOP)

SeRCOP replaced the previous Best Value Accounting Code of Practice (BVACOP). Its aim is to provide consistent financial reporting for services in England and Wales and is given legislative backing by "proper practices" under the Local Government Act 2003.

Settlements

Generally this occurs where there is a bulk transfer out of the Pension Fund or from the employer's share of the Fund to a new contractor's share of the fund as a result of outsourcing a section of the Council. It reflects the difference between the IAS 19 liability and the assets transferred to settle the liability.

Tax Base

The number of houses we can charge our Council Tax on.

Treasury Management

This is the process by which the Authority controls its cash flow and its borrowing and lending activities.

Treasury Management Strategy (TMS)

A strategy, approved by Cabinet, prepared with regard to legislative and CIPFA requirements setting out the framework for treasury activity for the Council.

Trust Funds

Funds administered by the Council for such purposes as prizes, charities and specific projects, on behalf of minors.

Unsupported (Prudential) Borrowing

This is borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.

Value for Money

The benefit obtained (not just in financial terms) for a given input of cash.

Virement

The authorised transfer of budget from one area of service to another.